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Study of Financial Results
And Reporting Trends

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U.S. Gaming INDUSTRY

Laventhol & Horwath
Certified Public Accountants

1985 EDITION

U.S. GAMING INDUSTRY

Fifth Annual Study of Financial Results and Reporting Trends U.S. Gaming Industry

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INTRODUCTION

Americans by the scores of millions, in the largest numbers in history, wagered billions of dollars on legal games of chance in 1984, bringing significant growth to the nation's gaming industry and a harvest of funds to state treasuries. The public groundswell also brought to the industry a kind of genuine legitimacy, something that it had never before enjoyed.

But like a sprawling summer garden that stubbornly insists on sending up new shoots in patches normally viewed with indifference, the gaming industry produced some unusual patterns in 1984. Although the whole "spread" grew, it flourished in spots not entirely anticipated.

In the casino gaming field, the most positive experience came in Nevada, where both the Las Vegas Strip and Reno/Tahoe sectors blossomed anew with vigor. And down the Colorado River on the California border, bloomed a sturdy new bud in the desert — tiny Laughlin.

On the other side of the terrain was Atlantic City — nurtured and tended with care by analysts and investors — but still harassed by patches of weeds. The New Jersey resort sprouted a handsome new casino/hotel. As a whole, however, the city's casinos produced a disappointing harvest of profits at the season's end — occasioned by a slowdown in revenue growth and a continued increase in expenses.

The casino corporations reviewed in this year's study generate over 70 percent of all casino revenue in the U.S. — and 100 percent in Atlantic City.

Detailed reviews of each area will be found on subsequent pages. Aggregate total U.S. casino revenues climbed to $5.1 billion for calendar 1984, an 11 percent increase compared with $4.6 billion in 1983.

Meanwhile, throughout the United States, the revenue from another segment of legalized gaming, state lotteries, overtook all other forms. The annual Laventhol & Horwath *Study of Financial Results and Reporting Trends U.S. Gaming Industry* has been expanded to include financial information on these state-operated games. (See page 27.)

Differences to Consider

The gaming industry is a multifaceted part of the national economy. It cannot be analyzed as a monolithic business; there are too many differences, area by area, operation by operation.

At the same time, it must be emphasized that the gaming industry — in all its aspects — is but part of a much greater whole: the expanding leisure time industry, which embraces not only resorts with gaming but resorts of all types; tourism in its broadest form, vacation homes, camping, yachting, sports and the arts. Ultimately, all of these are competing for a finite disposable consumer dollar.

In the casino sector, Atlantic City was by far the biggest disappointment of the year. While a few operations showed substantial profits and profit margins, and the city's casinos in aggregate produced $1.951 billion in gross revenues, up 10.8 percent over last year's $1.761 billion, the income before income taxes of $185 million for the ten casinos in operation at year-end was 34.9 percent lower than the $288 million produced by the nine casinos operating in 1983. (See detailed review of Atlantic City, page 23.)

Because Nevada's published casino financial information coincides with the state's fiscal year, which ends June 30, it is difficult to get a full perspective on the entire 1984 calendar year. (See Nevada review, page 19.)

In brief, the Nevada comeback was achieved by meeting the industry's many challenges. In many instances operators joined together to promote Nevada as an ultimate destination resort, providing a wide variety of attractions for visitors of all types. The Las Vegas Strip recovery was doubly significant because it was achieved in the face of the crippling strike in early 1984. All in all, Nevada's strength demonstrates its acceptance as an integral part of the U.S. resort and convention industry, and its ability to compete with Atlantic City in the U.S. casino market.

The amazing surge of lotteries demonstrates an overwhelming approval by the public. In its most fundamental sense, a government operated lottery is an ideal example of what Thomas Jefferson called "the taxation of the willing." In this era of increasing taxes imposed on complaining taxpayers, it is often the tax avenue of least resistance.

During 1984, lotteries captured the imagination of the American public as a result of the ever-increasing "megabuck" payouts. Some of these were truly the "pot of gold" at the end of the rainbow. Their success is an indication that we shall probably see an increase in this type of lottery during the next several years.

While the general outlook for the gaming industry remains favorable, further adjustments will have to be made as new patterns emerge. The strong U.S. dollar will continue to inhibit the influx of new as well as traditional offshore players into the U.S.; at the same time it will take many Americans abroad. However, as the dollar regains a more realistic international exchange level, offshore visitors will return and Americans will revert to taking vacations in the U.S.

A major question remains: To what extent will lotteries affect the business of established casinos in Nevada and New Jersey? The answer will come only with time and as challenges are met. An acid test will come as the California lottery phases in later in 1985.

One of the most important trends for the gaming industry in 1984 is difficult to document on a statistical level: this is the apparent mental disposition

of Americans to abandon social stigmas that have traditionally surrounded wagering and gaming. While negative attitudes may never disappear entirely, it is clear that American perceptions on this subject have changed considerably from even 10 years ago — as indicated by recent Gallup polls.

Sources of Information

The statistical information for the casino industry section of this study has been assembled from information in the individual companies' annual reports to shareholders, 10-Ks submitted to the Securities and Exchange Commission (SEC), reports filed with the New Jersey Control Commission and information contained in the *Nevada Gaming Abstract*.

Because there are wide differences in the ways companies record costs in operating statements, and because some of the companies derive all of their revenue from gaming operations, while others derive only a portion of revenue from this source, direct comparisons of corporate operating results may not be meaningful.

Additionally, many of the companies have different fiscal year-ends. Thus, the information is not always for the same period. The operating results and percentages in this study should not be considered standards for the industry, nor are they necessarily desirable goals.

Information for state lotteries was obtained from the public annual reports issued by the state agencies and from additional financial information furnished by those agencies. Direct comparison between individual lotteries may not be meaningful because of differences in state population, mix of types of lotteries, and other factors. We thank the state lottery directors for their cooperation.

Comments or suggestions from readers on the information detailed in this report would be appreciated.

Saul F. Leonard, CPA
National Partner
Leisure Time and Gaming Industries

CORPORATIONS INCLUDED IN THIS STUDY

Table A Gaming Corporations	Fiscal Year-End	Casino Sq. Ft. (Approx.)	Guest Rooms	Total Guest Rooms
Bally's Park Place, Inc.	12/31/84			
Bally's Park Place, Atlantic City		60,000	510	510
Caesars World, Inc.	7/31/84			
Caesars Palace, Las Vegas		60,000	1,668	
Caesars Boardwalk Regency, Atlantic City		60,000	505	
Caesars Tahoe, Lake Tahoe		40,000	446	2,619
Circus Circus Enterprises, Inc.	1/31/85			
Circus Circus Hotel and Casino, Las Vegas		66,000	1,605	
Circus Circus, Reno		51,500	725	
Slots-A-Fun Casino, Las Vegas		16,500		
Silver City Casino, Las Vegas		18,000		
Edgewater Hotel and Casino, Laughlin, Nevada		35,500	609	2,939
Dunes Hotels and Casinos, Inc.	12/31/84			
Dunes Hotel and Country Club, Las Vegas		60,000	1,200	1,200
Elsinore Corporation	12/31/84[1]			
Atlantis Casino Hotel, Atlantic City (91.4% interest)[2]		51,000	500	
Four Queens Hotel & Casino, Las Vegas		29,000	705	
Hyatt, Lake Tahoe		12,500	459	1,664
Golden Nugget, Inc.	12/31/84			
Golden Nugget, Las Vegas		27,000	527	
Golden Nugget, Atlantic City		41,000	519	1,046
Greate Bay Casino Corporation	12/31/84			
Sands Hotel/Casino, Atlantic City		49,000	500	500
Hilton Hotels Corporation	12/31/84			
Las Vegas Hilton, Las Vegas		34,000	3,174	
Flamingo Hilton, Las Vegas		34,000	2,256	
Reno Hilton, Reno		58,000	595	6,025

[1]Year-end changed from January to December in 1983; 1983 information reflects 11 months' operations.
[2]Acquired additional 45.7% interest in April 1984.

	Fiscal Year-End	Casino Sq. Ft. (Approx.)	Guest Rooms	Total Guest Rooms
Holiday Corporation	12/28/84			
Harrah's, Reno		61,000	565	
Harrah's, Lake Tahoe		65,000	540	
Harrah's Marina, Atlantic City		45,000	506	
Holiday Casino, Las Vegas		48,000	1,008	2,619
Trump Plaza, Atlantic City (50% interest)[3]		60,000	612	612
MGM Grand Hotels, Inc.	8/31/84			
MGM Grand Hotel, Las Vegas		60,000	2,800	
MGM Grand Hotel, Reno		100,000	2,000	4,800
Ramada Inns, Inc.	1/3/85			
Tropicana Hotel and Country Club, Las Vegas		34,000	1,105	
Tropicana Hotel, Atlantic City[4]		51,000	521	1,626
Resorts International, Inc.	12/31/84			
Resorts International Casino Hotel, Atlantic City		60,000	700	
Paradise Island Resort & Casino, Nassau, Bahamas		22,000	1,271	1,971
Sahara Resorts, Inc.	9/30/84			
Hacienda Resort Hotel and Casino, Las Vegas		19,000	832	
Sahara Las Vegas Hotel and Casino, Las Vegas		24,000	930	1,762
Scott Corporation	12/31/84			
Union Plaza, Las Vegas		80,000	1,021	
Mizpah Hotel and Casino, Tonopah, Nevada[5]		10,000	56	1,077
Showboat, Inc.	6/30/84			
Showboat, Las Vegas		40,000	495	495
Del E. Webb Corporation	12/31/84			
Mint Hotel, Las Vegas[6]		33,000	288	
High Sierra, Lake Tahoe[6]		37,000	537	
Nevada Club, Laughlin[6]		16,500	88	913
Claridge Hotel and Casino, Atlantic City (management contract)		34,000	504	504

[1]Opened in May 1984.
[2]Sold in November 1984; leased thereafter.
[3]Sold in September 1984.
[4]Sold in December 1984; management contract thereafter.

COMMENTS FROM DIVERSIFIED CORPORATIONS WITH GAMING INTERESTS

The growing role of the gaming business in the operations of major diversified hotel and leisure time corporations became increasingly clear in 1984 Annual Reports to Shareholders, as evidenced below:

Hilton Hotels Corporation

"Hilton enters 1985 in the midst of the greatest expansion and renewal in history . . ."

". . . We have established a minimum target return of 15 percent for hotel projects. Currently owned projects that fail to meet the return on investment criteria will be divested . . ."

"All domestic gaming operations will continue to be wholly-owned by Hilton because of the high returns available and the management intensive nature of the business. We will invest in overseas gaming operations only when they are part of full-service hotel facilities, are fully managed by Hilton, and meet our investment return objectives and standards of quality."

"To maintain our very strong balance sheet we have targeted our ideal debt-to-capital ratio at 25 to 35 percent . . ."

". . . The resurgence of Las Vegas as a convention and resort city is extremely satisfying. The Las Vegas Hilton had the best results in 1984 of the last three years and the Flamingo Hilton continued its strong earnings performance. The strike in the second quarter prevented us from reaching our potential for the year, but the strong fourth quarter indicates that those difficulties are behind us. The signing of a five-year labor contract will now allow us to make long-term convention bookings with confidence . . ."

"Our most significant expansion in 1984 was the addition of 70,000 square feet of exhibit/banquet space at the Las Vegas Hilton, giving the hotel a total of 228,000 square feet. This concentration of convention space . . . is believed to be the largest of any hotel in the world and is greater than the convention space available in many major cities . . ."

"The Flamingo Hilton continues to operate consistently at occupancy rates above 90 percent and remains the most profitable operation in the Hilton system . . ."

". . . The Gold Coast Conrad International Hotel and Jupiter Casino will open in late 1985 on a partial basis on the semi-tropical Gold Coast resort area of Queensland, Australia. Hilton owns a 10 percent interest in this operation . . ."

Barron Hilton
Chairman and President

Holiday Corporation

". . . Looking to the future, we believe that the evolution of our company into a multi-brand, hospitality-focused corporation requires a new name to reflect more accurately that we have become the world's leading hospitality company."

"To that end, we have proposed a new name — Holiday Corporation . . ."

". . . Revenues and operating income from continuing operations reached record levels in 1984 . . ."

". . . In 1984, we enhanced our [casino] industry leadership position with the May opening of our second Atlantic City hotel/casino, Trump Plaza, a joint venture. This 60,000 square feet casino immediately captured a 10 percent market share and was profitable in its second full month of operation. Our Harrah's Marina hotel/casino, which opened in late 1980, continues to be the company's single most profitable property."

"Infrastructure problems in Atlantic City contributed to slower-than-expected market growth during 1984 . . ."

". . . In Nevada, all three of our properties achieved record revenues during 1984. Harrah's Reno and Harrah's Lake Tahoe hotel maintained their premier market positions, and the Holiday Casino in Las Vegas expanded its market share . . ."

". . . [At] Harrah's Marina . . . a new 110-boat marina enhanced the property's resort appeal . . . A 264-suite hotel addition and a 15,000 square-foot casino expansion commenced in September and will open in phases beginning 1985 . . ."

". . . Since Holiday's acquisition of Harrah's in 1980, the company has grown to the world's largest casino gaming operation with 612 table games and 8,624 slot machines . . ."

Michael D. Rose
Chairman and C.E.O.

Richard J. Goeglein
President and C.E.O.

Ramada Inns, Inc.

". . . Gaming . . . accounted for 55 percent of Ramada's total revenues and 53 percent of the Company's operating income in 1984."

"Fiscal 1984 marked the third consecutive year of improved operating results from our gaming business . . ."

". . . Our Atlantic City operation turned in a strong performance despite the slower market growth and in the face of stiff competition from new operators . . ."

". . . A significant part of the 1984 (balance sheet) improvement was accomplished through the sale/leaseback of the Atlantic City Tropicana, and the application of most of the proceeds . . . to debt reduction . . ."

". . . The Atlantic City Tropicana will soon open a new multipurpose showroom that will provide it with additional marketing clout . . ."

". . . In December, we broke ground for a $70 million project that will transform the Las Vegas Tropicana into a super resort complex with a tropical island theme . . . The project will nearly double the current size of the Tropicana through the addition of a 22-story, 806-room tower. Other new features will be a 41,000 square-foot convention center complete with a 2,000-seat ballroom, meeting rooms, a complete men's and women's health club and new restaurant facilities . . ."

". . . During 1985, we hope to see the public sector in New Jersey take the initiative in undertaking the so-called "infrastructure improvements" which are essential to the continued growth and health of the industry . . ."

". . . Ramada is considering a major expansion of the Atlantic City Tropicana on a parcel of land on the Boardwalk adjacent to the existing facility. The decision to move ahead with this project will depend on market conditions and, to a great degree, on the timing and extent of public sector initiatives . . ."

Richard Snell
Chairman and President

Del E. Webb Corporation

"In 1984 we finally settled down to doing what we do best: making money . . . We told you we would do it, and we did . . ."

"We are now a new Del E. Webb Corporation. The strategically planned 1981-1982 turnaround phase, combined with the financial restructuring and management changes of 1983, have positioned us as a manager and developer of leisure and real estate operations . . ."

". . . On December 28 [1984] a group of private investors purchased our three Nevada casino/hotels for $80.4 million, which netted about $53 million in pre-tax cash."

"This transaction included the High Sierra at Lake Tahoe, the Mint in Las Vegas, and the Nevada Club in Laughlin."

"We retained a long-term management contract and operating sublease at all three casino/hotels. The sale was patterned after our successful sale of the Claridge Casino/Hotel in Atlantic City in 1983."

"These sales have been described by analysts as two of the most innovative financings in the U.S. in recent years. They have significantly reduced our potential to be blind-sided by letting us move away from bricks and mortar into long-term management contracts . . ."

". . . [Casino operations] in Nevada should produce better earnings [in 1985] because:"

" — The High Sierra . . completed a $3 million 'countrywestern with style' retheming . . ."

" — The Mint's management began a selective marketing thrust to take advantage of 1984's $3 million casino renovation . . ."

" — The Nevada Club will undergo significant upgrading in 1985 . . ."

Robert K. Swanson
Chairman, President and C.E.O.

CONSOLIDATED CORPORATE OPERATING RESULTS

Table B
Consolidated Corporate Operating Results
($000 Omitted)

	Total Revenue*		Income From Operations**			
					Percent Total Revenue	
	1984	1983	1984	1983	1984	1983
Bally's Park Place, Inc.	$ 271,338	$ 263,333	$ 47,146	$ 47,069	17.4	17.9
Caesars World, Inc.	620,590	567,286	47,152	(8,112)	7.6	***
Circus Circus Enterprises, Inc.	274,050	230,244	52,445	40,349	19.1	17.5
Dunes Hotels and Casinos, Inc.	99,817	84,876	(12,892)	(46,577)	***	***
Elsinore Corporation	205,099[1]	75,117[1]	(630)[2]	7,301[2]	***	9.7
Golden Nugget, Inc.	384,875	369,981	10,270	70,219	2.7	19.0
Greate Bay Casino Corporation	174,616	175,711	2,038	19,327	1.2	11.0
Hilton Hotels Corporation	647,297[1]	649,280[1]	124,346[2]	117,539[2]	19.2	18.1
Holiday Corporation	1,759,818[1]	1,585,080[1]	229,781	226,181	13.1	14.3
MGM Grand Hotels, Inc.	332,930	315,976	23,831	31,854	7.2	10.1
Ramada Inns, Inc.	600,153[1]	573,831[1]	14,907[2]	11,085[2]	2.5	1.9
Resorts International, Inc.	483,901	468,267	5,295	40,140	1.1	8.6
Sahara Resorts, Inc.	94,213	92,637	(3,953)	(5,082)	***	***
Scott Corporation	60,064	54,049	(889)	(4,785)	***	***
Showboat, Inc.	46,590	48,003	8,881	11,254	19.1	23.4
Del E. Webb Corporation	478,939[1]	364,541[1]	23,729[2]	3,575[2]	5.0	1.0

N/A — Not available.
*Represents revenue after deductions for promotional allowances.
**Represents income before income taxes, minority interest, discontinued operations and extraordinary items.
***Not applicable; loss for the year.
[1]Excludes revenue of joint ventures and/or entities recorded on equity basis and/or entities operated under management contract.
[2]Before equity in earnings of joint ventures or other nonconsolidated operating entities.

Table B presents details about operating results of major operators in the U.S. casino gaming industry. A caveat however: many factors, some nonrecurring, enter into a company's operating results. Therefore, a comparison of year-to-year operating results, and the percentage relationships between companies or years, is not always meaningful without obtaining more detailed financial information.

For the companies included in this study, total revenue for fiscal 1984 increased 10.4 percent compared with 1983. Casino/hotel revenue increased approximately 11 percent, working capital provided from operations increased 16.7 percent and net income increased 1.8 percent. Net income in 1984 was 5.5 percent of revenue compared with 5.6 percent for this same group in 1983.

Casino/hotel revenue was approximately 67 percent of total revenue for both 1984 and 1983. Income from operations declined to 8.7 percent of total revenue in 1984 compared with 9.5 percent in 1983.

Net Income				Working Capital Provided From Operations		Casino/Hotel Revenue*			
		Percent Total Revenue						Percent Total Revenue	
1984	1983	1984	1983	1984	1983	1984	1983	1984	1983
$ 23,246	$ 20,569	8.6	7.8	$ 48,862	$ 32,796	$271,338	$263,333	100.0	100.0
18,840	(21,043)	3.0	***	46,752	26,744	586,824	528,074	94.6	93.1
31,016	23,019	11.3	10.0	54,267	36,773	274,050	230,244	100.0	100.0
(2,626)	(48,465)	***	***	(8,902)	(39,197)	97,763	84,876	97.9	100.0
5,550	4,041	2.7	5.4	21,477	5,013	199,868[1]	65,804[1]	97.5	87.6
5,289	38,938	1.4	10.5	81,095	92,825	N/A	351,100	N/A	94.9
1,725	17,017	1.0	9.7	10,598	17,050	174,616	175,711	100.0	100.0
113,983	112,637	17.6	17.3	148,921	138,179	340,954	323,811	52.7	49.9
130,975	124,399	7.4	7.9	266,735	268,569	644,098[1]	591,778	36.6	37.3
12,783	17,251	3.8	5.5	46,460	49,143	332,930	315,976	100.0	100.0
8,821	12,397	1.5	2.2	44,470	41,962	332,861	315,200	55.5	54.9
(4,705)	22,040	***	4.7	65,872	46,665	441,013	408,899	91.1	87.3
(1,998)	(2,634)	***	***	4,208	3,780	82,052	81,298	87.1	87.8
(489)	(1,566)	***	***	6,845	4,692	60,064	54,049	100.0	100.0
4,910	6,285	10.5	13.1	7,810	9,026	46,590	48,003	100.0	100.0
13,436	6,950	2.8	1.9	27,422	13,663	115,000[1]	107,800[1]	24.0	29.6

GROSS OPERATING PROFIT OF GAMING OPERATIONS

Table C
Gross Operating Profit of Gaming Operations
($000 Omitted)

	(a) Casino Revenue		(b) (a) As a Percentage of (e)		(c) Hotel and Other Revenue*	
	1984	1983	1984	1983	1984	1983
Bally's Park Place, Inc.	$237,700	$230,072	87.6	87.4	$ 33,638	$ 33,261
Caesars World, Inc.	472,093	419,602	80.4	79.5	114,731	108,472
Circus Circus Enterprises, Inc.	176,717	144,431	64.5	62.7	97,333	85,813
Dunes Hotels and Casinos, Inc.	69,141	60,770	70.7	71.6	28,622	24,106
Elsinore Corporation[1]	158,518	44,002	79.3	66.9	41,350	21,802
Golden Nugget, Inc.	N/A	310,387	N/A	88.4	N/A	40,713
Greate Bay Casino Corporation	158,602	155,577	90.8	88.5	16,014	20,134
Hilton Hotels Corporation	190,859	182,154	56.0	56.3	150,095	141,657
Holiday Corporation[2]	498,203	464,122	77.3	78.4	145,895	127,656
MGM Grand Hotels, Inc.	162,533	151,441	48.8	47.9	170,397	164,535
Ramada Inns, Inc.	281,300	255,500	84.5	81.1	51,561	59,700
Resorts International, Inc.	303,193	293,162	68.7	71.7	137,820	115,737
Sahara Resorts, Inc.	46,528	45,995	56.7	56.6	35,524	35,303
Scott Corporation	42,069	37,954	70.0	70.2	17,995	16,095
Showboat, Inc.	31,533	32,051	67.7	66.8	15,057	15,952
Del E. Webb Corporation[3]	85,300	77,600	74.2	72.0	29,700	30,200

N/A — Not available.
*Hotel and other revenue are shown after deducting promotional allowances.
**Not applicable; loss for the year.
[1]Excludes Atlantic City joint venture to April 1984; revenue included thereafter.
[2]Excludes Atlantic City joint venture.
[3]Excludes Atlantic City joint venture to October 1983; management contract thereafter.

In Table C the revenue and gross operating profits of gaming operations are shown separately so that these benchmarks may be more closely analyzed. In this context, gross operating profit is operating profit, after all operating costs, but before interest costs and unallocated corporate expenses.

Information for this table has, for the most part, been obtained from "business segment" sections of annual reports of diversified corporations — or by adding interest costs to the indicated operating profit of corporations that are solely in the casino/hotel business.

For the group of companies included in this year's survey, in 1984, both casino revenue and hotel and other revenue rose approximately 11 percent over 1983 and casino revenue represented approximately 74 percent of total casino/hotel revenue for both years. Gross operating profit for both years approximated 15.5 percent of total casino/hotel revenue.

(d) (c) As a Percentage of (e)		(e) Total Casino/Hotel Revenue*		(f) Gross Operating Profit		(g) (f) As a Percentage of (e)	
1984	1983	1984	1983	1984	1983	1984	1983
12.4	12.6	$271,338	$263,333	$ 60,366	$ 59,944	22.3	22.8
19.6	20.5	586,824	528,074	64,506	19,127	11.0	3.6
35.5	37.3	274,050	230,244	82,842	56,544	30.2	24.6
29.3	28.4	97,763	84,876	1,868	(29,335)	1.9	**
20.7	33.1	199,868	65,804	21,381	14,736	10.7	22.4
N/A	11.6	N/A	351,100	68,847	107,261	N/A	30.6
9.2	11.5	174,616	175,711	9,484	25,801	5.4	14.7
44.0	43.7	340,954	323,811	69,745	68,639	20.5	21.2
22.7	21.6	644,098	591,778	124,442	115,746	19.3	19.6
51.2	52.1	332,930	315,976	58,885	46,897	17.7	14.8
15.5	18.9	332,861	315,200	43,260	37,484	13.0	11.9
31.3	28.3	441,013	408,899	75,149	72,904	17.0	17.8
43.3	43.4	82,052	81,298	6,153	3,427	7.5	4.2
30.0	29.8	60,064	54,049	6,871	378	11.4	0.7
32.3	33.2	46,590	48,003	8,881	11,359	19.1	23.7
25.8	28.0	115,000	107,800	(6,600)	(5,200)	**	**

COMMENTS FROM CORPORATIONS PRIMARILY IN GAMING INDUSTRY

The following are samples of comments excerpted from annual reports to shareholders of companies primarily engaged in the gaming industry. For the purpose of this study, these are defined as companies that derive 85 percent or more of their revenues from gaming sources. Commentaries from diversified corporations with gaming interests appear on page 6.

Bally's Park Place, Inc.

". . . Despite a leveling of industry growth in the past year, Bally's Park Place again achieved record revenues and earnings by following a result-oriented business strategy which emphasizes the need for operational efficiency and cost control . . ."

". . . With more than 50 million people residing within a 300 mile radius of the city, we believe our [Atlantic City] industry may someday reach the $5 billion mark in yearly revenues. The question is really one of timing . . ."

" . . . Bally's Park Place is busily preparing to meet the anticipated demand by expanding its casino-hotel. We will soon complete the Spa at Bally's, a 40,000 square foot, multimillion dollar facility . . . This past year also brought us a step closer to beginning the construction of our 30-story hotel tower, which will add approximately 800 rooms to our present complex . . ."

Richard Gillman
Chairman

William S. Weinberger
President

Caesars World, Inc.

". . . With a strong return to profitability in the year ended July 31, 1984, Caesars World's fundamental goal of improving operating performance was achieved . . ."

". . . Another key objective . . . to further strengthen Caesars World's financial condition . . . was realized not only through profitable operations but also with the completion of two successful public financings."

"The issuance of 3,500,000 shares of common stock in November 1983 generated $36 million in equity. A subordinated debt offering in May 1984 netted the Company $89 million which is principally being used for the expansion of Caesars Atlantic City."

". . . [In marketing] considerable emphasis was placed on expanding casino patronage . . . Increased casino win was realized at all three gaming properties, highlighted by a 9 percent rise at Caesars Palace and 17 percent improvement at Caesars Atlantic City . . ."

". . . The profit generated at Caesars Tahoe during the fourth quarter of fiscal 1984 [May-July '84] represented the first profitable quarter since the facility's opening in 1979 . . ."

". . . As always, special events played a prominent role in attracting worldwide attention to Caesars . . . Three of the biggest professional boxing attractions of 1983-84 were showcased at Caesars Palace . . ."

". . . Throughout the year, the Caesars Palace Race and Sports Book — the only computerized system of its kind — continued as a major attraction for the sporting public . . . [Presenting] live thoroughbred horse racing simulcasts . . . the facility today features live [racing] telecasts from New York and Chicago . . ."

". . . Phase one of Caesars Atlantic City's $90 million renovation program was completed in June 1984, resulting in 11,000 sq. ft. of additional casino space . . . The Boardwalk tower addition [of] some 140 new luxury suites . . . is scheduled for completion in the final quarter of calendar 1984. During 1984, the resort will open a new 1,100-seat showroom . . ."

Henry Gluck
Chairman and C.E.O.

J. Terrence Lanni
President and C.O.O.

Circus Circus Enterprises, Inc.

". . . We finished the year with our three Las Vegas properties turning in solid growth and higher profits for [the fiscal year ended January 31] 1985. Their results in the fourth quarter were particularly inspiring because we did so well against a strong fourth quarter the previous year . . ."

". . . [In Reno] we began to feel some disruption from construction on the new 900-room [Skyway Tower] and monorail. The [tower] is scheduled to open fully on July 4, 1985 . . ."

". . . We set in motion new projects . . . We committed a budget of $105 million to the construction of high-rise towers at both of our Circus Circus theme properties . . . In January 1985, we broke ground on an 1,188-room tower and new parking garage at Circus Circus in Las Vegas, slated to open in April 1986."

"From mid-1984 to early 1986, Circus will have more than doubled its total rooms base . . ."

". . . In June 1984, we opened 453 additional rooms [at the Edgewater, Laughlin] almost quadrupling its rooms base to 609 . . . The Laughlin market itself grew approximately 50% in 1984 . . ."

". . . In the past five years, the average year-round occupancy at Circus Circus-Las Vegas was 99% and at Circus Circus-Reno 100% . . ."

". . . Beyond the projects at hand, we envision other possibilities over

the next year or two. For one, we will consider further expansion in Laughlin in the form of more rooms at the Edgewater. And we will consider the development of a second property. Elsewhere in Nevada, our eyes are open for sizable acquisition candidates . . . As for Atlantic City, we remain interested but uncommitted observers of that market, with no current plans to enter it . . . But we have not closed the door on Atlantic City, since circumstances can change and opportunities appear . . ."

William G. Bennett
Chairman and C.E.O.

William N. Pennington
President

Elsinore Corporation

". . . On April 3, 1984, Elsinore acquired 100% of the capital stock of Playboy of New Jersey, Inc., and its corresponding interest in Playboy-Elsinore Shore Associates. As a result . . . the Company now owns 91.5% of the newly-named Elsinore Shore Associates . . ."

". . . In November 1984, the Company, through a newly-formed subsidiary Elsinore Finance Corporation, issued $115 million principal amount, 15½ percent senior mortgage bonds due November 1, 1999. The proceeds were used to refinance the $69.2 million first mortgage loan of Elsinore Shore Associates and to purchase for $28 million the debt carried on the Company's books at $41.8 million . . ."

"During 1984, our Lake Tahoe reported . . . an increase [in earnings before taxes] of $1.2 million over the prior fiscal year. I continue to view the Lake Tahoe market in general, and our property in particular, with optimism."

"Our Las Vegas property showed a pre-tax loss . . . for 1984 [which] was disappointing but expected in light of the April strike. The strike at the Four Queens remains unresolved although current business has returned to projected levels . . ."

"During the nine months ended December 31, 1984, casino revenues were down at the [renamed] Atlantis Casino Hotel [Atlantic City]. The decline was due to increased competition from the opening of the Trump Plaza and other significant casino expansions during a year in which the market did not grow. In March 1984 we completed the Riverboat Casino on the first casino level of the Atlantis . . . and in December 1984 we began construction of the Shangri-La Casino on the second casino level . . ."

". . . Important improvements for 1985 include a 'Ripley's Believe It or Not' family-oriented attraction adjacent to the Four Queens Hotel & Casino in downtown Las Vegas . . ."

Robert R. Maxey
President and C.E.O.

Golden Nugget, Inc.

". . . 1984 was a pivotal year for the Atlantic City market. For the first time we saw a significant reversal of the favorable imbalance in supply and demand . . . The shift in market conditions had a significant impact on the Company's 1984 profit picture and, to a great degree, on the direction that the Company will take in the future. We recently decided to concentrate our efforts on maximizing the market penetration of our existing Boardwalk facility, and cancelled plans for construction of a casino-hotel in the Marina area. As a result, the Company recorded a fourth quarter nonoperating charge of $15.3 million, representing the writeoff of certain costs . . . capitalized in connection with the Marina project."

"In Las Vegas we opened our new high-rise tower . . ."

". . . During 1984 the Company retired and restructured certain of its debt securities that encumbered the Atlantic City Boardwalk property so that it may issue additional indebtedness secured by the facility . . ."

Stephen A. Wynn
Chairman and President

MGM Grand Hotels, Inc.

" . . . Our hotel occupancy reached new levels . . . during fiscal 1984. For the year, occupancy in both our hotels was 80.6 percent compared to 70.7 percent in 1983, representing a significant 14 percent improvement for the year. Comparisons with earlier years are not meaningful because prior to 1983 our capacity was some 35 percent lower. The increase in occupancy is particularly impressive in view of the 74-day Las Vegas hotel strike, the decreased number of foreign visitors because of the strong dollar, and the competition of the Olympics . . ."

". . . The decline in net income during fiscal 1984 is principally due to the substantial increase in the Company's interest and litigation expense which is largely attributable to the costly litigation with our insurance carriers . . ."

". . . During the tenth year [anniversary of the MGM Grand-Las Vegas] we completed the conversion of the former Jai Alai fronton into the Goldwyn Ballroom . . . The end result was a . . . 50,000 square foot ballroom . . ."

". . . Due to the success of the . . . Las Vegas conversion, plans for a similar alteration of the MGM Grand-Reno . . . fronton are presently being prepared . . ."

". . . As part of our ongoing refurbishment program, we have just completed redecorating and refurnishing all of our suites at the MGM Grand-Las Vegas and are now embarking on a similar program for our guest rooms . . ."

Alvin Benedict
Chairman and C.E.O.

Bernard J. Rothkopf
President and C.O.O.

Sahara Resorts

". . . Improvement [in operating results for the fiscal year ended September 30, 1984] were accomplished despite the lengthy Las Vegas hotel strike, competition from the Olympics, and the recessionary holdover during our first quarter . . ."

". . . One major achievement was the installation of the Sahara's new race and sports book, which opened October 1, 1984 . . . The growing popularity of sports and track betting make the addition of [this] a competitive advantage . . ."

". . . Our increase in combined

room occupancy for both hotels to 82 percent last year from 80 percent in the prior period is significant in view of the soft first quarter and the effects of the hotel strike . . . Advance bookings for 1985 are already showing an improvement over 1984 . . ."

". . . The development of a major new family-oriented theme park, 'Wet 'n Wild,' on land adjacent to the Sahara is expected to increase business activity on the north end of The Strip where the Sahara is located . . ."

". . . Newly remodeled convention facilities at the Sahara and the all-new convention and meeting facilities at the Hacienda have helped greatly in [the] effort to [increase travel and convention business] . . ."

". . . While fiscal 1984 results reflect an operational improvement, overall results do not show a profit, primarily due to interest expense related to the June 1983 public offering. Management foresees additional improvement in the coming year . . ."

Paul W. Lowden
Chairman and C.E.O.

Scott Corporation

" . . . With the completion of the Union Plaza expansion in September 1983, we experienced increases in revenues of 29% in the fourth quarter of 1983 and 23 percent in the first quarter of 1984. A labor strike adversely influenced operations during the second and third quarters . . ."

". . . 1984 can best be described as a year of organizational and operational realignments . . . Operational activities were directed toward divestment of unprofitable subsidiaries, relocation of auxiliary services to within the Union Plaza complex, expansion of the Company's marketing base and containment of operating costs . . ."

". . . Because of continuing losses and marginal future earnings prospects, the Company sold its Mizpah Hotel and Casino in September 1984 for $1,136,000 which . . . approximated book value . . ."

Frank E. Scott
Chairman and C.E.O.

Showboat, Inc.

"Today Showboat has a solid operational base, no long-term debt, a new five-year contract with most of its unionized employees and a greater depth in management than it has ever enjoyed . . ."

". . . Fiscal 1984 was marked by a two-month strike . . . Although the Showboat remained in full operation, the volume of patrons severely declined . . ."

". . . What began in 1954 as the Desert Showboat — a two-story 100-room motel with a tiny casino — has grown into an all-around recreational resort complex . . . Showboat caters to moderate gamblers, families and Las Vegas area residents . . . [through] reasonably priced food, accommodations and sport activities . . ."

". . . [The casino's 1,050] slot machines provide Showboat with a solid revenue base and a high profit margin . . . [and] account for about 75 percent of Showboat's total casino revenues."

". . . Bowling . . . has become synonymous with Showboat . . . The 106-lane Bowling Center of today is the second largest in the world . . ."

". . . [We have] concluded that Atlantic City is the most attractive gaming market for . . . expansion . . . Ocean Showboat, Inc., a New Jersey subsidiary . . . entered into a 99-year lease for a 10-acre casino site on the . . . Boardwalk . . . [and] intends to build a 60,000 square-foot casino with 1,759 slot machines, a 516-room hotel, a 60-lane bowling center . . . Construction should . . . conclude before the end of 1986 . . ."

". . . The new [Atlantic City] Showboat will . . . attract . . . a gaming resort patron who is not targeted by existing Atlantic City gaming companies."

Joseph H. Kelley
Chairman, President and C.E.O.

CASINO REVENUE AND PROMOTIONAL ALLOWANCES

Promotional allowances — in the form of complimentary rooms, food and beverages ("comps") — are an integral part of the casino/ hotel industry and are considered to be routine costs for improving business.

However, increasingly in recent years, such allowances have come under considerable examination within the industry and among financial analysts. The question is: To what extent do comps capture and hold business? What is their value in terms of their costs as a percentage of business revenues?

Precise analysis is difficult. One of the reasons is that the amounts shown in Table D represent the retail value of these complimentary goods and services, whereas the actual costs to the casino/hotel are considerably less. Considerable sums are also spent for promotional expenses, including free travel and cash giveaways. The promotional allowances represent just one segment of the total marketing costs.

While a discernable trend is difficult, it is interesting to note that in 1984 while total casino promotional allowances of the 16 corporations analyzed rose approximately 15 percent compared to the 1983 figures, total casino revenue rose 11 percent. In the aggregate, promotional allowances averaged approximately 13 percent of casino revenue for both years.

Table D
Promotional Allowances as a Percentage of Casino Revenue
($000 omitted)

	Casino Revenue		Promotional Allowances		As a Percentage of Casino Revenue	
	1984	1983	1984	1983	1984	1983
Bally's Park Place, Inc.	$237,700	$230,072	$21,447	$22,433	9.0	9.8
Caesars World, Inc.	472,093	419,602	70,008	56,768	14.8	13.5
Circus Circus Enterprises, Inc.	176,717	144,431	10,710	9,285	6.1	6.4
Dunes Hotels and Casinos, Inc.	69,141	60,770	12,235	12,765	17.7	21.0
Elsinore, Corporation[1]	158,518	44,002	30,064	5,296	19.0	12.0
Golden Nugget, Inc.	N/A	310,387	N/A	45,461	N/A	14.7
Greate Bay Casino Corporation	158,602	155,577	19,846	21,890	12.5	14.1
Hilton Hotels Corporation	190,859	182,154	24,258	25,189	12.7	13.8
Holiday Corporation[2]	498,203	464,122	63,807	58,281	12.8	12.6
MGM Grand Hotels, Inc.	162,533	151,441	22,415	20,673	13.8	13.7
Ramada Inns, Inc.	281,300	255,500	44,323	34,980	15.8	13.7
Resorts International, Inc.	303,193	293,162	35,399	33,171	11.7	11.3
Sahara Resorts, Inc.	46,528	45,995	5,560	5,791	12.0	12.6
Scott Corporation	42,069	37,954	6,675	6,490	15.9	17.2
Showboat, Inc.	31,533	32,051	1,740	1,415	5.5	4.4
Del E. Webb Corporation[3]	85,300	77,600	12,400	13,700	14.5	17.7

N/A — Not available.
[1]Excludes Atlantic City joint venture to April 1984; included thereafter.
[2]Excludes Atlantic City joint venture.
[3]Excludes Atlantic City joint venture to October 1983; management contract thereafter.

GAMING OPERATING PROFIT AS A PERCENTAGE OF GAMING ASSETS

Table E reflects gaming gross operating profit as a return on gaming operations assets. In general, the amount of identifiable gaming operations assets was obtained from the "business segment" sections of annual reports of diversified corporations, or as total assets for corporations that are solely casino/hotel corporations. (For a definition of gaming gross operating profit, see page 11.)

In 1984, gross operating profit as a percentage of identifiable gaming operation assets increased to 13.6 percent from 11.2 percent in 1983 (excluding Golden Nugget, Inc. and Hilton Hotels Corporation for which this information is not available). As in prior years, the dynamic year-to-year changes of individual companies is highlighted in this table.

Table E
Gaming Operating Profit as a Percentage of Gaming Assets
($000 omitted)

	Identifiable Gaming Operation Assets		Gaming Gross Operating Profit		As a Percentage of Assets	
	1984	1983	1984	1983	1984	1983
Bally's Park Place, Inc.	$327,094	$317,678	$ 60,366	$ 59,944	18.5	18.9
Caesars World, Inc.	540,337	452,179	64,506	19,127	11.9	4.2
Circus Circus Enterprises, Inc.	447,285	308,338	82,842	56,544	18.5	18.3
Dunes Hotels and Casinos, Inc.	104,508	109,333	1,868	(29,335)	1.8	*
Elsinore, Corporation[1]	286,631	130,885	21,381	14,736	7.5	11.3
Golden Nugget, Inc.	N/A	307,114	68,847	107,261	N/A	34.9
Greate Bay Casino Corporation	133,043	108,720	9,484	25,801	7.1	23.7
Hilton Hotels Corporation	N/A	429,442	69,745	68,639	N/A	16.0
Holiday Corporation[2]	784,261	773,308	124,442	115,746	15.9	15.0
MGM Grand Hotels, Inc.	580,421	583,617	58,885	46,897	10.2	8.0
Ramada Inns, Inc.	277,535[3,4]	383,423[3]	43,260	37,484	15.6	9.8
Resorts International, Inc.	392,404	371,447	75,149	72,904	19.2	19.6
Sahara Resorts, Inc.	97,715	97,306	6,153	3,427	6.3	3.5
Scott Corporation	88,987	93,248	6,871	378	7.7	.4
Showboat, Inc.	44,458	41,968	8,881	11,359	20.0	27.1
Del E. Webb Corporation[5]	7,900[6]	69,200	(6,600)	(5,200)	*	*

N/A — Not available.
*Not applicable; loss for the year.
[1]Excludes Atlantic City joint venture to April 1984; included thereafter.
[2]Excludes Atlantic City joint venture.
[3]Excludes Las Vegas property in unconsolidated partnership.
[4]Atlantic City property sold November 1984; leased thereafter.
[5]Excludes Atlantic City joint venture to October 1983; management contract thereafter.
[6]Nevada properties sold December 1984; management contract thereafter.

CORPORATE INTEREST EXPENSE, DEPRECIATION AND AMORTIZATION

Corporate interest expenses seesawed wildly in 1984, as several corporations decreased their debt load while others increased this financial burden. Several corporations increased corporate debt for activities not directly related to their gaming activities. In the aggregate, despite an easing of interest rates, these expenses rose again in 1984 to 127.9 percent of last year's figure.

It should be noted that interest expenses as set forth are interest costs net of such costs capitalized. Therefore, this tabulation may not give a complete perspective of a corporation's full interest load.

Depreciation and amortization continued to climb in 1984, totaling 110 percent of 1983. This was more a reflection of continuing expansion of the companies' overall operations than any significant increase in gaming assets.

Table F
Corporate Interest Expense, Depreciation and Amortization
($000 Omitted)

	Interest Expense			Depreciation and Amortization		
	1984	1983	1984 % of 1983	1984	1983	1984 % of 1983
Bally's Park Place, Inc.	$13,220	$12,875	102.7	$ 24,315	$22,083	110.1
Caesars World, Inc.	38,928	46,913	83.0	28,599	31,469	90.9
Circus Circus Enterprises, Inc.	30,397	16,195	187.7	14,401	11,210	128.5
Dunes Hotels and Casinos, Inc.	14,760	17,242	85.6	5,786	6,217	93.1
Elsinore Corporation[1]	22,011	7,435	296.0	9,748	3,870	251.9
Golden Nugget, Inc.	51,083	40,567	125.9	21,420	17,258	124.1
Greate Bay Casino Corporation	7,938	7,006	113.3	8,256	6,807	121.3
Hilton Hotels Corporation[1]	15,341	19,938	76.9	42,020	40,859	102.8
Holiday Corporation	86,550[2]	41,703[2]	207.5	110,816[1]	94,301[1]	117.5
MGM Grand Hotels, Inc.	30,294	18,299	165.6	21,096	23,982	88.0
Ramada Inns, Inc.[1]	45,776	54,700	83.7	32,687	33,785	96.8
Resorts International, Inc.	65,446	43,759	149.6	23,239	20,098	115.6
Sahara Resorts, Inc.	13,484	12,263	110.0	4,356	4,281	101.8
Scott Corporation	7,760	5,163	150.3	5,311	4,127	128.7
Showboat, Inc.	0	105	0	2,601	2,371	109.7
Del E. Webb Corporation[1]	10,950	10,730	102.1	10,747	8,712	123.4

[1] Excludes joint ventures or other unconsolidated operating entities.
[2] Includes proportionate share from unconsolidated affiliates.

TOTAL ASSETS, SHAREHOLDERS' EQUITY, RETURN ON SHAREHOLDERS' EQUITY, AND DEBT-TO-EQUITY RATIO

Table G provides additional yardsticks by which financial analysts can judge corporate performance.

The ratio of debt to equity and the amount of equity as a percentage of total assets frequently indicate to what extent management is depending on borrowed funds. Financial analysts generally consider a company with a high debt-to-equity ratio to be more volatile. However, there are a number of exceptions.

The debt-to-equity ratio is calculated by dividing the long-term debt (including current maturities) at year-end by the ending shareholders' equity. For 1984, the aggregate ratio of shareholders' equity to total assets showed some decrease — 34.4 percent compared with 39.5 percent in 1983.

The 1984 return on shareholders' equity was computed by dividing the net income by the average shareholders' equity at the beginning and the end of the year. Return on shareholders' equity for 1984 increased to 11.5 percent compared with 10.8 percent in 1983.

Table G
Total Assets, Shareholders' Equity, Return on Shareholders' Equity and Debt-to-Equity Ratio
($000 Omitted)

	(a)	(b)	(c)	(d)	(e)
	Total Assets 1984	Shareholders' Equity 1984	(b) As a Percentage of (a)	1984 Return on Shareholders' Equity	Debt to Equity Ratio
Bally's Park Place, Inc.	$ 327,094	$ 162,915	49.8	15.4	0.7
Caesars World, Inc.	619,445	193,432	31.2	11.4	1.4
Circus Circus Enterprises, Inc.	447,285	152,976	34.2	22.6	1.6
Dunes Hotels and Casinos, Inc.	111,409	(14,854)	N/A	*	N/A
Elsinore Corporation	286,631	49,798	17.4	11.8	3.8
Golden Nugget, Inc.	762,854	225,007	29.5	2.3	1.5
Greate Bay Casino Corporation	133,043	28,354	21.3	5.3	2.9
Hilton Hotels Corporation[1]	1,163,752	592,826	50.9	18.6	0.5
Holiday Corporation[1]	2,348,008	1,024,457	43.6	12.7	0.9
MGM Grand Hotels, Inc.	580,421	118,252	20.4	10.6	2.2
Ramada Inns, Inc.[1]	698,419	248,753	35.6	3.6	1.4
Resorts International, Inc.	943,300	140,641	14.9	*	3.9
Sahara Resorts, Inc.	123,469	12,086	9.8	*	7.9
Scott Corporation	88,987	22,919	25.8	*	2.5
Showboat, Inc.	44,458	38,735	87.1	13.1	**
Del E. Webb Corporation[1]	362,066	115,097	31.8	12.5	0.9

N/A — Not applicable; shareholders' deficiency.
*Not applicable; loss for the year.
**Not applicable; no long-term debt.
[1]Excluding share of debt of joint ventures or other unconsolidated operating entities.

NEVADA SUMMARY

Nevada casino/hotels in general made a strong comeback in 1984 from the poor results of previous years.

According to figures made public by the Nevada State Gaming Control Board in its *Annual Gaming Abstract* for the fiscal year ended June 30, 1984, gross gaming revenue of the 145 casinos grossing over $1 million annually (Group 1 casinos) reached $2.941 billion. This was a 14.4 percent increase over the $2.576 reported by "Group 1" casinos in fiscal 1983. Total revenue of *all* casinos for the fiscal year was $2.992 billion.

As detailed in Table H, "Group 1" operations reported income tax and extraordinary items of $332.7 million in fiscal 1984 on total revenue of $4.748 billion. The total pre-tax income was an increase of 84 percent over the previous year's comparable figure of $181.0 million. (For the record, aggregate pre-tax profits for all Nevada's "Group 1" casinos reached a high of $464.7 million in 1980.)

Following the end of the state's fiscal year, additional improvements continued. For the entire 12 months of calendar 1984, total revenue of all casinos was $3.147 billion.

Divergent Turnaround Patterns

There were widely divergent turnaround patterns throughout the state on a pre-tax profit comparison.

While the state's "Group 1" casinos as a whole showed an 84 percent improvement, the 38 Las Vegas Strip operations registered a gain of 134 percent, with pre-tax profits rising to $179.5 million compared to $75.5 million in fiscal 1983. By contrast, p[illegible] tax profits of the 22 Downtown Las Vegas "Group 1" casinos declined 62.6 percent to $17.4 million compared with $46.4 million in fiscal 1983.

Downtown operators were particularly affected by the strike, and further impacted by an increase in capacity which was not absorbed, and by continued major renovation work in several casinos.

Since the fiscal year-end, downtown Las Vegas operations have shown considerable improvement.

Another strong fiscal 1984 recovery was manifested in the Reno/Sparks area, where its 30 "Group 1" casinos reported an increase of 81.8 percent — attaining a historic high of $73.3 million in pre-tax profits, compared with $40.3 million in fiscal 1983.

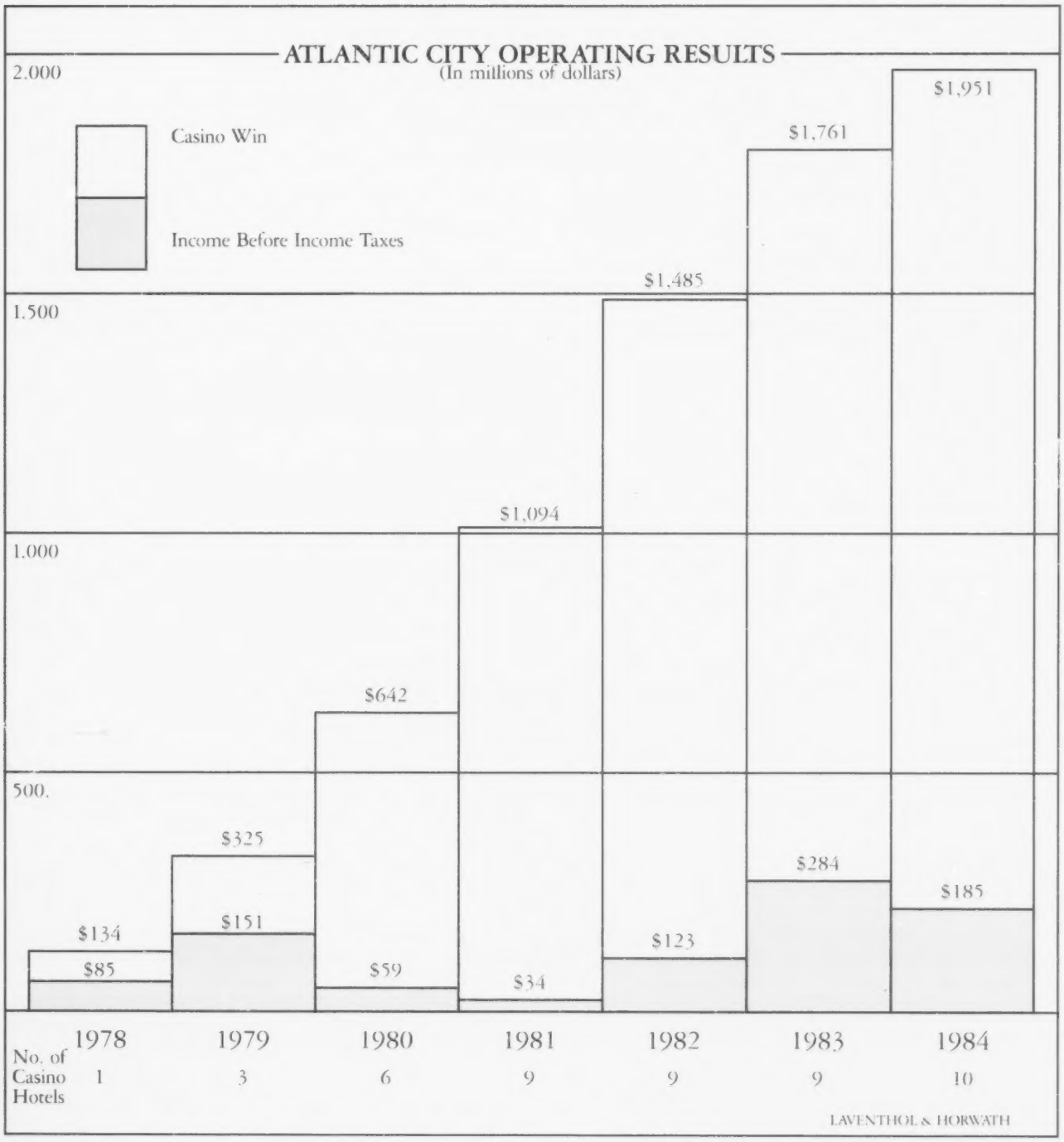
Nevada operators emerged from calendar 1984 with renewed confidence in the state's growth potential and their ability to successfully compete in the ever-broadening leisure time market.

For analysis of supplementary casino information, pit revenue includes table games, keno and bingo. Other revenue includes poker, pan, race books and sports pool.

Table H
Nevada Summary
Licensees Grossing $1 Million or More in Gaming Revenue
Year Ended June 30, 1984
($000 omitted)

	Statewide		Clark County-Strip		Clark County Downtown	
Number of locations	145		38		22	
	$	%	$	%	$	%
Condensed Income Summary:						
Revenue:						
Casino	$2,941,428	62.0	$1,267,999	58.6	$411,192	69.3
Hotel and Other	1,806,431	38.0	894,795	41.4	181,824	30.7
Total	4,747,859	100.0	2,162,794	100.0	593,016	100.0
Costs and Expenses (Net):						
Total Exclusive of Items Shown Below	3,976,357	83.8	1,768,477	81.8	509,632	86.0
Interest	204,117	4.3	104,542	4.8	32,643	5.5
Depreciation and Amortization	234,650	4.9	110,229	5.1	33,246	5.6
Total	4,415,124	93.0	1,983,248	91.7	575,621	97.1
Income before Federal Income Tax and Extra-ordinary Items	$ 332,735	7.0	$ 179,546	8.3	$ 17,395	2.9
Supplementary Casino Information:						
Casino Revenue:						
Pit	$1,308,412	44.5	$ 696,350	54.9	$155,912	37.9
Coin-operated Machines	1,530,698	52.0	525,591	41.5	235,258	57.2
Other	102,318	3.5	46,058	3.6	20,022	4.9
Total	2,941,428	100.0	1,267,999	100.0	411,192	100.0
Costs and Expenses:						
Labor	692,537	23.5	293,808	23.2	103,860	25.2
Other	767,838	26.1	394,127	31.1	91,972	22.4
Total	1,460,375	49.6	687,935	54.3	195,832	47.6
Casino Department Income	$1,481,053	50.4	$ 580,064	45.7	$215,360	52.4
Revenue Information per Location:						
Average Revenue	$ 32,744		$ 56,916		$ 26,955	
Upper Quartile	44,236		87,365		44,364	
Median	13,896		36,357		19,333	
Lower Quartile	5,071		5,011		5,077	

Clark County Laughlin		Douglas County		Elko County		Reno/Sparks		Balance of State	
5		7		11		30		32	
$	%	$	%	$	%	$	%	$	%
$ 95,687	74.3	$279,205	61.9	$ 61,199	58.9	$573,812	63.3	$252,333	62.7
33,146	25.7	171,753	38.1	42,665	41.1	332,092	36.7	150,157	37.3
128,833	100.0	450,958	100.0	103,864	100.0	905,904	100.0	402,490	100.0
95,936	74.5	414,829	91.9	92,911	89.5	762,570	84.2	331,902	82.5
4,015	3.1	13,381	3.0	2,826	2.7	28,473	3.1	18,237	4.5
4,818	3.7	20,265	4.5	4,389	4.2	41,593	4.6	20,112	5.0
104,769	81.3	448,475	99.4	100,126	96.4	832,636	91.9	370,251	92.0
$ 24,064	18.7	$ 2,483	.6	$ 3,738	3.6	$ 73,268	8.1	$ 32,239	8.0
$ 22,571	23.6	$134,173	48.1	$21,786	35.6	$205,159	35.8	$ 72,460	28.7
71,112	74.3	137,497	49.2	38,628	63.1	352,168	61.4	170,444	67.5
2,004	2.1	7,535	2.7	785	1.3	16,495	2.8	9,429	3.8
95,687	100.0	279,205	100.0	61,199	100.0	573,812	100.0	252,333	100.0
16,096	16.8	68,634	24.6	13,892	22.7	140,124	24.4	56,123	22.2
16,734	17.5	87,056	31.2	13,353	21.8	123,366	21.5	41,231	16.4
32,830	34.3	155,690	55.8	27,245	44.5	263,490	45.9	97,354	38.6
$ 62,857	65.7	$123,515	44.2	$ 33,954	55.5	$310,322	54.1	$154,979	61.4
$ 25,767		$ 64,423		$ 9,442		$ 30,197		$ 12,578	
		96,112		15,922		44,107		14,803	
25,767		68,222		6,050		13,145		7,675	
		7,623		4,236		7,245		4,175	


ATLANTIC CITY OPERATING RESULTS
(In millions of dollars)
2.000
1.500
1.000
500.
Casino Win
Income Before Income Taxes
$134
$85
$325
$151
$642
$59
$1,094
$34
$1,485
$123
$1,761
$284
$1,951
$185
1978
1979
1980
1981
1982
1983
1984
No. of Casino Hotels
1
3
6
9
9
9
10
LAVENTHOL & HORWATH

1984 ATLANTIC CITY SUMMARY

Atlantic City's total casino win for 1984, including the revenue for the tenth casino which opened in May, reached $1.951 billion, an increase of 10.8 percent over 1983. However, income before income taxes fell 34.9 percent to $185 million compared to $284 million in 1983. The results underscore why 1984 Atlantic City operations were a disappointment to both investors and operators.

However, this does not mean that the resort has lost its potential. Many of the initial expectations were extravagant. No maturing market can be expected to continue producing the percentage incremental increases it showed in the first few years; no investor should expect an upward growth curve with no cyclical downturns.

What the 1984 results mean to the Atlantic City resort industry is simply that casino operators — individually and collectively — must work harder to meet today's and tomorrow's challenges. Three principal areas are:

1) Improving the city's infrastructure: Promises and predications have not been fulfilled by performance. A high-speed, high-capacity rail link, once forecast to be running in 1985, may never become a reality. Instead of increasing air service into the city, as originally anticipated, several airlines have given up serving the stop entirely. City streets are clogged with notorious traffic jams on busy weekends. Revitalization of the noncasino portions of the city is not closer to achievement than it was two years ago.

2) Expanding the market: Over 50 percent of the Atlantic City market still comes from the 17 million people living within an approximate 100-mile radius of the city. Only 8 percent of all Atlantic City visitors stay overnight (compared to 99 percent in Las Vegas). To tap the far larger market lying within a 300-mile radius, Atlantic City must offer the leisure-oriented market attractions other than casino gaming. The opening of roughly 1,000 noncasino hotel rooms during the next 18 months should help in this area.

3) Improving the state regulatory climate. The problems in this area must be addressed jointly by the industry and government. If the resort is to be a viable feature of the nation's leisure time market, steps must be taken to improve the operating climate and a consistency in the regulatory process should be established between the various state agencies.

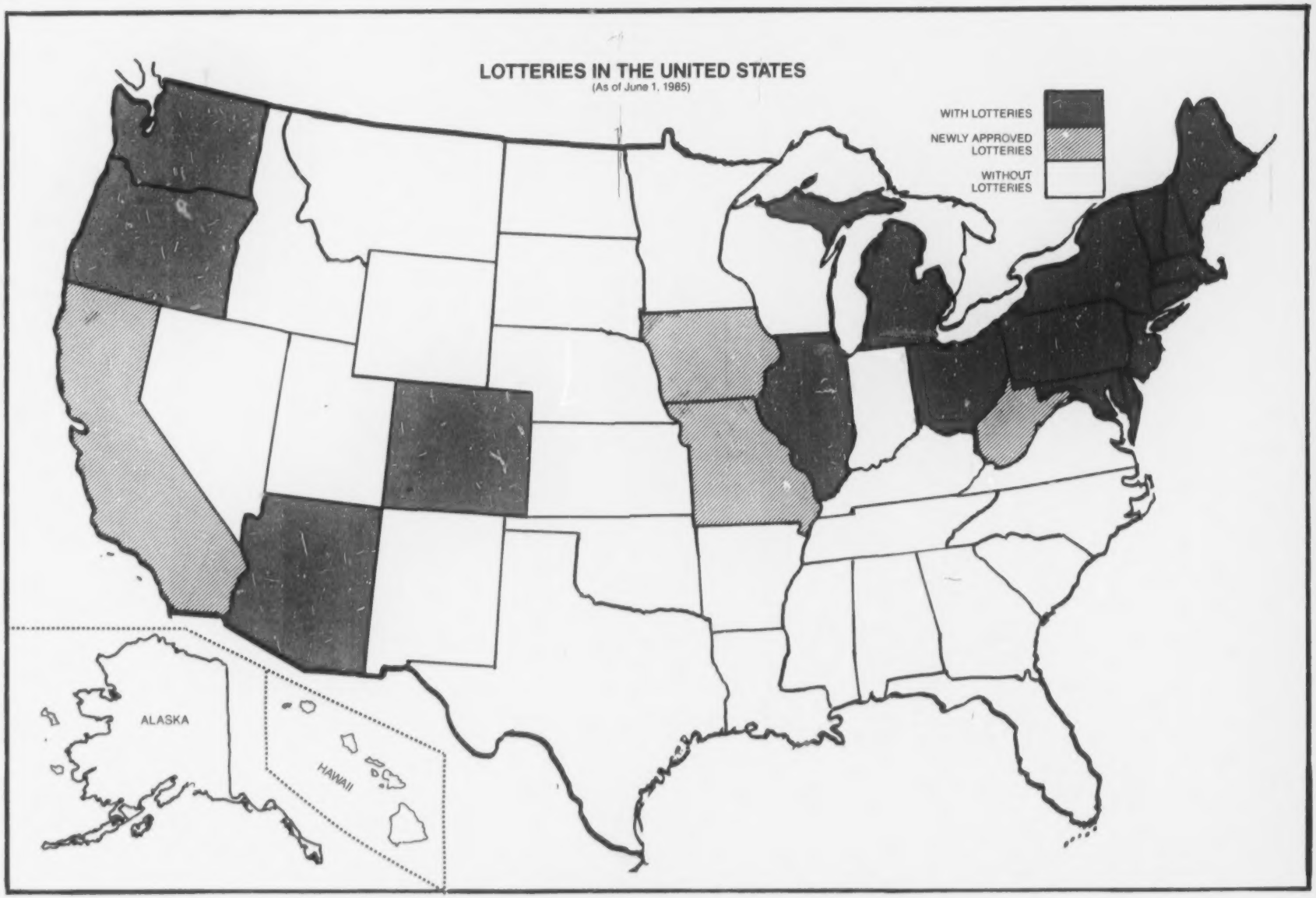
The information in Table I was obtained from the annual reports filed with the New Jersey Casino Central Commission. The standardized reporting format was altered in 1984. As a result, some of the information found in Table I in prior years cannot be furnished.

Table I
1984 Atlantic City Summary
($000 Omitted)

	Total		Elsinore's Atlantis		Bally's Park Place		Caesars Boardwalk Regency		Claridge	
Date Opened			Apr 1981		Dec 1979		Jul 1979		Jul 1981	
	$	%	$	%	$	%	$	%	$	%
Condensed Income Summary:										
Revenue:										
Casino	$1,951,024	88.2	$147,037	87.5	$237,700	87.6	$224,077	88.5	$121,581	85.1
Hotel and Other	526,403	23.8	52,460	31.2	55,085	20.3	64,147	25.4	38,714	27.1
Promotional Allowances	(264,904)	(12.0)	(31,505)	(18.7)	(21,447)	(7.9)	(35,215)	(13.9)	(17,471)	(12.2)
Total	2,212,523	100.0	167,992	100.0	271,338	100.0	253,009	100.0	142,824	100.0
Costs and Expenses (Net):										
Total Exclusive of Items Shown Below	1,756,153	79.4	146,030	86.9	186,657	68.8	204,977	81.0	149,639	104.8
Interest	150,213	6.8	19,208	11.4	13,220	4.9	18,931	7.5	16,451	11.5
Depreciation and Amortization	105,029	4.7	7,839	4.7	24,315	9.0	10,267	4.1	2,721	1.9
Management Fees	31,544	1.4	3,990	2.4					5,574	3.9
Non operating Expenses (Income)	(15,449)	(0.7)	(154)	(0.1)					(16,907)	(11.8)
Income Taxes	63,984	2.9			23,900	8.8	6,155	2.4	85	0.1
Total	2,091,474	94.5	176,913	105.3	248,092	91.5	240,330	95.0	157,563	110.4
Net Income	$ 121,049	5.5	$(8,921)	(5.3)	$ 23,246	8.5	$ 12,679	5.0	$(14,739)	(10.4)
Supplementary Casino Information:										
Casino Square Footage	511,000		51,000		60,000		60,000		34,000	
Casino Revenue										
Table Games	$ 971,669	49.8	$ 73,547	50.0	$110,200	46.4	$122,289	54.6	$ 58,027	47.7
Coin-operated Machines	979,355	50.2	73,490	50.0	127,500	53.6	101,788	45.4	63,554	52.3
Total	$1,951,024	100.0	$147,037	100.0	$237,700	100.0	$224,077	100.0	$121,581	100.0
Approximate Average Monthly Casino Revenue per Square Foot	$ 318.00		$ 240.00		$ 330.00		$ 340.00		$ 298.00	

[1]No federal income tax provision reflected on income statement.

Golden Nugget		Harrah's Marina		Resorts International		Sands		Tropicana		Trump Plaza	
Dec. 1980		Nov. 1981		May 1978		Aug. 1980		Nov. 1981		May 1984	
$	%	$	%	$	%	$	%	$	%	$	%
$251,675	90.4	$210,848	86.3	$254,753	87.7	$158,602	90.8	$220,804	89.9	$123,947	86.1
58,600	21.0	55,999	22.9	65,962	22.7	35,860	20.5	58,336	23.8	41,240	28.6
(31,882)	(11.4)	(22,625)	(9.2)	(30,086)	(10.4)	(19,846)	(11.3)	(33,665)	(13.7)	(21,162)	(14.7)
278,393	100.0	244,222	100.0	290,629	100.0	174,616	100.0	245,475	100.0	144,025	100.0
205,604	73.8	172,354	70.6	220,695	75.9	152,698	87.5	196,502	80.1	120,997	84.0
27,321	9.8	327	0.1	13,485	4.7	7,938	4.6	19,828	8.1	13,504	9.4
12,047	4.3	6,492	2.7	13,350	4.6	8,256	4.7	9,042	3.7	10,700	7.4
15,516	5.6			2,130	0.7	4,150	2.4	184	0.1		
10,842	3.9	(581)	(0.2)	(5,606)	(1.9)	(492)	(0.3)	(1,616)	(0.7)	(935)	(0.7)
2,725	1.0	5,326[1]	2.2	23,047	7.9	313	0.2	2,433	1.0		
274,055	98.4	183,918	75.4	267,101	91.9	172,863	99.1	226,373	92.3	144,266	100.1
$ 4,338	1.6	$ 60,304	24.6	$ 23,528	8.1	$ 1,753	0.9	$ 19,102	7.7	($ 241)	(0.1)
41,000		45,000		60,000		49,000		51,000		60,000	
$133,973	53.2	$ 83,927	39.8	$123,059	48.3	$ 86,120	54.3	$118,830	53.8	$ 61,697	49.8
117,702	46.8	126,921	60.2	131,694	51.7	72,482	45.7	101,974	46.2	62,250	50.2
$251,675	100.0	$210,848	100.0	$254,753	100.0	$158,602	100.0	$220,804	100.0	$123,947	100.0
$ 512.00		$ 390.00		$ 354.00		$ 307.00		$ 361.00		$ 318.00	


LOTTERIES IN THE UNITED STATES
(As of June 1, 1985)
WITH LOTTERIES
NEWLY APPROVED LOTTERIES
WITHOUT LOTTERIES
ALASKA
HAWAII

LOTTERY SUMMARY

The 18 lotteries operated by the 17 states and the District of Columbia produced total revenues of $7.416 billion in their fiscal years ended in 1984. This was an increase of 34 percent over the 1983 total of $5.540 billion. After deductions for expenses and prizes, the 18 lotteries, in aggregate, produced net proceeds of $2.971 billion for the various state treasuries. This was 37 percent higher than the $2.165 billion in proceeds produced in the comparable period of 1983.

By far the greatest revenue generator was Pennsylvania. With lottery revenue of $1.263 billion, net proceeds to the state came to $543 million.

In their growth process, lottery games are becoming more sophisticated with each passing year. In this age when today's hit is tomorrow's flop, the life span of many lottery-game formats is short-lived and there is an ever-increasing public demand for new lottery formats.

Today's successful lotteries also depend, to a high degree, on modern technology. Computers and electronic data-processing hardware are integral to the day-by-day operation of today's lotteries. This calls for a high degree of security in their operation. With constantly increasing sophistication of lottery games also comes a parallel need for increasingly sophisticated marketing techniques.

In November 1984, four more states approved lotteries: California, Oregon, Missouri and West Virginia. This brings the total to 22. In 1985, Iowa approved a lottery. In at least nine additional states, lottery bills or initiatives are still pending.

The financial information set forth in Table J was derived from annual reports issued by the states and from information furnished by them. Direct comparison of these lotteries may not be meaningful because of differences in state population, differences in lottery games and other factors.

Table J
Lottery Summary
($000 omitted)

	Total		Arizona		Colorado		Connecticut	
Fiscal Year End			June		June		June	
	$	%	$	%	$	%	$	%
1984								
Revenue:								
Lottery Sales	$7,349,010	99.1	$59,275	99.9	$117,580	97.5	$254,410	100.0
Other	66,593	.9	54	.1	3,010	2.5		
Total	7,415,603	100.0	59,329	100.0	120,590	100.0	254,410	100.0
Expenses and Prizes:								
Commissions	420,577	5.7	3,932	6.6	7,054	5.9	(1)	
Other Operating Expenses	342,139	4.6	8,100	13.7	12,548	10.4	16,127	6.4
Prizes	3,681,494	49.6	25,987	43.8	60,310	50.0	132,858	52.2
Total	4,444,210	59.9	38,019	64.1	79,912	66.3	148,985	58.6
Net Income	$2,971,393	40.1	$21,310	35.9	$ 40,678	33.7	$105,425	41.4
1983								
Revenue:								
Lottery Sales	$5,504,167	99.4	$74,893	99.9	$136,920	99.2	$188,361	100.0
Other	35,888	.6	10	.1	1,163	.8		
Total	5,540,055	100.0	74,903	100.0	138,083	100.0	188,361	100.0
Expenses and Prizes:								
Commissions	310,677	5.6	4,679	6.2	8,215	5.9	(1)	
Other Operating Expenses	311,016	5.6	10,883	14.5	11,174	8.1	13,973	7.5
Prizes	2,753,229	49.7	36,371	48.6	70,536	51.1	93,888	49.8
Total	3,374,922	60.9	51,933	69.3	89,925	65.1	107,861	57.3
Net Income	$2,165,133	39.1	$22,970	30.7	$ 48,158	34.9	$ 80,500	42.7

(1) Commission information not available.

Delaware		Illinois		Maine		Maryland		Massachusetts		Michigan	
June		June		June		June		Nov.		June	
$	%	$	%	$	%	$	%	$	%	$	%
$33,061	99.8	$886,119	99.8	$15,958	99.8	$536,808	100.0	$957,849	99.7	$585,192	98.5
64	.2	1,850	.2	25	.2			3,350	.3	8,864	1.5
33,125	100.0	887,969	100.0	15,983	100.0	536,808	100.0	961,199	100.0	594,056	100.0
2,777	8.4	59,602	6.7	1,751	10.9	21,372	4.0	33,778	3.5	40,999	6.9
956	2.9	18,299	2.1	1,908	11.9	21,779	4.0	56,718	5.9	27,641	4.7
15,371	46.4	430,226	48.4	7,808	48.9	276,759	51.6	569,736	59.3	289,046	48.6
19,104	57.7	508,127	57.2	11,467	71.7	319,910	59.6	660,232	68.7	357,686	60.2
$14,021	42.3	$379,842	42.8	$ 4,516	28.3	$216,898	40.4	$300,967	31.3	$236,370	39.8
$29,791	99.5	$493,879	99.8	$13,074	99.8	$462,821	100.0	$615,136	99.7	$552,053	98.5
161	.5	1,058	.2	26	.2			1,888	.3	8,895	1.5
29,952	100.0	494,937	100.0	13,100	100.0	462,821	100.0	617,024	100.0	560,948	100.0
2,328	7.8	33,453	6.7	1,381	10.5	18,785	4.0	17,233	2.8	36,343	6.5
1,241	4.1	15,157	3.1	1,601	12.2	17,825	3.9	57,815	9.4	30,719	5.5
15,634	52.2	231,429	46.8	6,424	49.1	227,976	49.3	375,508	60.8	271,725	48.4
19,203	64.1	280,039	56.6	9,406	71.8	264,586	57.2	450,556	73.0	338,787	60.4
$10,749	35.9	$214,898	43.4	$ 3,694	28.2	$198,235	42.8	$166,468	27.0	$222,161	39.6

Table J *(continued)*
Lottery Summary *(continued)*
($000 omitted)

	New Hampshire		New Jersey		New York		Ohio	
Fiscal Year End	June		June		March		June	
	$	%	$	%	$	%	$	%
1984								
Revenue:								
Lottery Sales	$17,066	99.4	$848,024	99.0	$890,276	98.9	$603,045	99.8
Other	102	.6	8,167	1.0	9,758	1.1	1,277	.2
Total	17,168	100.0	856,191	100.0	900,034	100.0	604,322	100.0
Expenses and Prizes:								
Commissions	584	3.4	58,810	6.9	55,691	6.2	30,610	5.1
Other Operating Expenses	2,916	16.9	13,893	1.6	61,799	6.9	36,761	6.1
Prizes	8,010	46.7	425,164	49.6	392,002	43.5	291,113	48.2
Total	11,510	67.0	497,867	58.1	509,492	56.6	358,484	59.4
Net Income	$ 5,658	33.0	$358,324	41.9	$390,542	43.4	$245,838	40.6
1983								
Revenue:								
Lottery Sales	$13,610	98.5	$693,104	99.2	$644,967	99.0	$397,760	99.7
Other	210	1.5	5,861	.8	6,430	1.0	1,197	.3
Total	13,820	100.0	698,965	100.0	651,397	100.0	398,957	100.0
Expenses and Prizes:								
Commissions	487	3.5	47,616	6.8	40,930	6.3	19,976	5.0
Other Operating Expenses	2,929	21.2	9,799	1.4	50,671	7.8	27,183	6.8
Prizes	6,715	48.6	344,605	49.3	284,552	43.7	204,099	51.2
Total	10,131	73.3	402,020	57.5	376,153	57.8	251,258	63.0
Net Income	$ 3,689	26.7	$296,945	42.5	$275,244	42.2	$147,699	37.0

Pennsylvania		Rhode Island		Vermont		Washington		Washington, D.C.	
June		June		June		June		Sept.	
$	%	$	%	$	%	$	%	$	%
$1,236,023	97.8	$52,879	98.1	$5,117	99.4	$164,712	99.3	$85,616	99.2
27,207	2.2	1,051	1.9	31	.6	1,086	.7	697	.8
1,263,230	100.0	53,930	100.0	5,148	100.0	165,798	100.0	86,313	100.0
83,180	6.6	6,431	11.9	352	6.8	8,996	5.4	4,658	5.4
29,520	2.3	2,477	4.6	940	18.3	15,710	9.5	14,047	16.3
607,071	48.1	26,696	49.5	2,571	49.9	75,928	45.8	44,838	51.9
719,771	57.0	35,604	66.0	3,863	75.0	100,634	60.7	63,543	73.6
$ 543,459	43.0	$18,326	34.0	$1,285	25.0	$65,164	39.3	$22,770	26.4
$885,407	99.1	$43,656	98.8	$4,547	99.9	$200,117	100.0	$54,071	99.5
8,159	.9	540	1.2	5	.1			285	.5
893,566	100.0	44,196	100.0	4,552	100.0	200,117	100.0	54,356	100.0
60,358	6.8	5,205	11.8	294	6.5	10,006	5.0	3,388	6.2
29,716	3.3	2,475	5.6	833	18.3	13,190	6.6	13,832	25.5
439,923	49.2	21,725	49.1	2,309	50.7	92,952	46.4	26,858	49.4
529,997	59.3	29,405	66.5	3,436	75.5	116,148	58.0	44,078	81.1
$363,569	40.7	$14,791	33.5	$1,116	24.5	$ 83,969	42.0	$10,278	18.9

COMMENTS FROM STATE LOTTERIES

The following is a sampling of comments taken from the public annual reports of state lotteries. Reports from some states were not available.

Arizona

". . . Arizona law requires the Lottery to return 45 percent of its revenues to players in the form of cash prizes . . ."

". . . The [fiscal 1984] revenue figures . . . were respectable though not record-breaking . . . Fiscal 1983-1984 was, by all accounts, our year of "bottoming-out" and should be the foundation for a future of ever-increasing revenues . . . [Nevertheless] We saw nearly a 50 percent increase in weekly sales over comparable games in the previous year . . ."

Charles E. Buri
Executive Director

Delaware

". . . Expansion of the statewide agent network, modernization of the on-line numbers game computer system and continually increasing popularity of the games resulted in the most successful year ever for the Delaware Lottery . . . Out of every $100 appropriated by the State almost $2 was provided by the Lottery . . ."

". . . While the Delaware Lottery, limited by the state's small population, is unable to generate multi-million jackpots . . . the January 27 jackpot totalled $275,000 and was shared by two winners . . . The largest jackpot won by one player during the year totalled $200,000 . . ."

Ralph F. Batch
Director

Maryland

". . . After 11 years of operations, Marylanders have purchased over $3 billion worth of lottery tickets . . ."

". . . The Lottery is a strong force within the community. Half of all Lottery sales are immediately returned to players in the form of prizes. . . In addition to [lottery prizes] about 1,440 Lottery agents earned $28 million in sales and cashing commissions . . . Under Maryland law all Lottery earnings . . . become part of the State's General Fund . . ."

". . . The General Fund is used for important state services such as public education, health and mental hygiene, human resources, economic and community development, public safety . . ."

Martin M. Puncke
Director

Massachusetts

". . . This year — our thirteenth year of operation — has literally shattered all records for revenue production . . ."

". . . The Lottery has given our financially squeezed municipalities funds through pooled state aid distribution to use in any way they choose . . ."

". . . Leading the way for the Lottery's extraordinary year was 'Megabucks'. With weekly payouts as much as $18 million, 'Megabucks Mania' swept the Commonwealth in 1984 . . ."

". . . Among the milestones reached in 1984 were two national jackpot records. On March 10th, after building for three weeks, the 'Megabucks' jackpot reached $18.2 million. It was won by six people . . ."

". . . We have succeeded by encouraging innovation in everything we do, from the design of our games to the configurations of our computerized betting terminals . . ."

Robert Q. Crane
Chairman

James E. Hosker
Executive Director

Michigan

". . . Growth of gross sales [in fiscal 1984] to more than $584 million was only one of the many records established during the year . . . Increased play resulted in more than 19 million cash prizes awarding some $289 million to players . . ."

". . . Charting the path for continued progress was the start of a new licensing program that will place computer terminals for on-line games in the most productive locations . . ."

". . . Award-winning advertising campaigns and expanded public relations programs reached out to keep players more fully informed . . ."

Michael J. Carr
Commissioner

New Jersey

". . . In fiscal 1984, the New Jersey Lottery achieved a milestone . . . The amount contributed by the State for aid to education and institutions surpassed $300 million for the first time . . . During its 14-year history, the Lottery has contributed more than $1.8 billion to the State . . ."

". . . New records have become so commonplace . . . there is a danger they may be taken for granted . . ."

". . . Of every dollar it collected during the year, the Lottery paid 50.2 cents to happy winners . . ."

Hazel Frank Gluck
Executive Director

New York

". . . In fiscal 1983-1984, New York's Lottery . . . earned more than one million dollars a day for the support of local education . . ."

". . . More than 12,000 businesses (many of them small . . .) have earned more than $178 million in commissions [since 1976] . . . Lottery ticket sellers earned more than $53.4 million in fiscal 1983-1984 . . ."

". . . The number of persons who have won prizes of one million dollars or more reached 203. One woman won $10.25 million; one man has won $7.3 million, and four others have won $5 million each . . ."

John D. Quinn
Director

Ohio

". . . Several factors contributed to the Lottery's outstanding sales in fiscal year 1984. One of these, certainly, was the growing popularity of Ohio Lotto and its huge jackpots."

"A change in marketing philosophy, designed to insure that terminals are accessible to everyone in Ohio interested in our games, had a positive impact on bringing new players to the Lottery and broadened our consumer base. In addition, we have attempted to be very open with our customers, the media, and the public in general through a comprehensive speakers' bureau plan. The higher profile has helped us penetrate market segments which were previously cool to the Lottery . . ."

Thomas V. Chemna
Executive Director

Pennsylvania

". . . During 1983-1984, the Pennsylvania Lottery attained new heights by surpassing $1 billion in annual sales . . ."

". . . Net revenue is primarily targeted to benefits for senior citizens, including property tax rebates, rent rebates, inflation dividends, free and reduced-fare public transportation, reduced vehicle-registration fees, nursing home assistance . . ."

". . . The 8,000 retailers who sold Lottery tickets earned $64.5 million in commissions during the year . . ."

Dick Thornburgh
Governor

James R. Scheiner
Secretary of Revenue

Lynn R. Nelson
Executive Director

Rhode Island

"When the Rhode Island Lottery began operations in 1974, its objectives were to generate revenues for the State and set industry standards for performance, innovation and integrity."

"Ten years later, the Lottery continues to live by these objectives and to meet them . . ."

". . . Rhode Island was the first Lottery to introduce Instant Baseball. Since then nine other states have followed our lead . . ."

"The Rhode Island Lottery was the first agency to switch to an in-house banking system. Our field representatives are the first . . . to use portable computers to settle agent Lottery business."

Peter J. O'Connell
Executive Director

Washington

"During 1984, the Washington State Lottery introduced the on-line lottery game and improved the operating efficiency and internal controls of the Lottery. After the first year's unprecedented success, the Washington State Lottery was faced with the challenge of continuing a high level of sales. Realizing that the first year's sales were influenced to a large degree by the excitement and novelty of the new lottery, we looked for new ways to keep the public interest. The most effective way of meeting this challenge was to offer a variety of games and to offer games that allowed more player participation . . ."

Robert A. Boyd
Director

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